

IRS News Release

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IRS, Hollywood Foreign Press Association Reach Agreement On Gift Baskets

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WASHINGTON — The Internal Revenue Service announced today another milestone in its outreach campaign to the entertainment industry regarding the taxability of gift bags and promotional items.

The Hollywood Foreign Press Association and the IRS reached a mutually satisfactory agreement that will resolve outstanding tax responsibilities with respect to Golden Globe Awards presenter gift baskets. The Hollywood Foreign Press Association (HFPA) voluntarily approached the IRS last year seeking to clarify the tax issues surrounding the gift baskets, as well as to ensure that any obligations for the prior years were met.

Under the closing agreement, the HFPA and the IRS have settled the tax obligations with respect to gifts given through 2005. Recipients of 2006 gift boxes will be issued appropriate informational tax forms by the HFPA and will be responsible for satisfying their income tax obligations.

Last year, the IRS started an outreach campaign aimed at the entertainment industry. This effort is focused on distribution of celebrity gift bags and goodie bags in conjunction with appearances by the stars at award shows and other gatherings. Such bags can include luxury trips, jewelry and electronics. Dozens of the award shows take place each year.

"The fact this gift bag practice grew so quickly is stranger than fiction," said IRS Commissioner Mark W. Everson. "We're happy the Hollywood Foreign Press Association stepped forward to resolve this issue."

"We are pleased to have reached an agreement with the IRS which resolves all income tax obligations on the part of our presenters," said Philip Berk, HFPA President. Last September, the HFPA voted to discontinue the practice of thanking presenters with presenter boxes.

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Since August, the IRS has contacted entertainment industry groups and others to focus attention on tax guidelines for gift bags and other promotional items. The effort is concentrated on two main areas:

- Reporting compliance by the stars and other recipients receiving the items.
- Completion of Form 1099s as appropriate by those providing the items to the stars and other recipients.

This outreach provides an opportunity for taxpayers, businesses and tax professionals to better understand their tax obligations as it relates to these luxury goods and services and the associated tax implications. The outreach effort is also aimed at keeping entertainers, organizations and others in this area in compliance with the tax law.

Additional information about the tax consequences of gift bags and the IRS outreach effort to the entertainment industry can be found at IRS.gov.